

**THE IMPACT OF MINIMUM WAGE ON EMPLOYMENT, HOURS OF WORK  
AND HAPPINESS OF LOW WAGE WORKERS IN KEDAH.**

**By**

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## **ABSTRACT**

This study estimates the effects of minimum wage on employment (working or not working), hours of work and happiness level of low wage workers in Kedah, Malaysia. The panel data are collected and it is used to examine the effects of minimum wage in Kedah, Malaysia. The panel data enables the use of the technique of difference estimator - before and after the implementation of the minimum wage. The results show that implementation of the minimum wage has no effects on the employments during the period of study, however it significantly reduces hours of work per day on average, increase significantly overall life happiness, increase happiness level of low wage workers at work but insignificantly and increase the basic salary. Increase in minimum wage helps the low wage workers meet the basic needs as suggested in Maslow theory of motivation. Most of the companies having difficulties in implementing the minimum wage, thus it is recommended that, government can divide the minimum wage to several rates such as for Adults (21 years and over), Young Development Rate (18-20 years), Young Person Rate (under 18 years) and Apprentices (without age limit).

## **ABSTRAK**

Kajian ini menganggar kesan gaji minimum ke atas guna tenaga (bekerja atau tidak), jam bekerja dan tahap kegembiraan pekerja yang bergaji rendah di Kedah. “Panel data” telah dikutip dan digunakan untuk menganalisis kesan gaji minimum di Kedah, Malaysia. “Panel data” membolehkan penggunaan teknik penganggar perbezaa - sebelum dan selepas pelaksanaan gaji minimum. Hasil dapatan menunjukkan bahawa pelaksanaan gaji minimum tidak mempunyai kesan ke atas guna tenaga dalam tempoh masa kajian dilakukan, namun ia mengurangkan purata jam bekerja dengan signifikannya, meningkatkan kegembiraan hidup keseluruhan dengan signifikannya, meningkatkan kegembiraan di tempat kerja tetapi tidak signifikan serta meningkatkan gaji pokok pekerja. Peningkatan dalam gaji minimum membantu pekerja bergaji rendah memenuhi keperluan asas mereka. Kebanyakan firma mengalami kesukaran untuk melaksanakan gaji minimum, maka, dicadangkan kerajaan boleh membahagikan gaji minimum kepada beberapa kadar seperti untuk kadar dewasa (21 tahun dan ke atas), kadar pembanguan orang muda (18-20 tahun) orang muda (di bawah 18 tahun) dan pelatih (tanpa had umur).

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# **CHAPTER 1**

## **INTRODUCTION**

This chapter presents a brief description introduction on the background of minimum wage in Malaysia including the problems faced by low wage workers in Malaysia. The aims of minimum wage to cope with increasing cost of living are also described. In addition, the problem statement, research question and objective, significance of studies and organization of the study are also presented in this chapter.

### **1.0 Background of Minimum Wage**

The ongoing and persistent debate about the minimum wage legislation has recently been unsettled discussion even though many countries which has minimum wage legislation including Malaysia. The problems which lead to the study are, in many countries, a part of society living in luxury, while the other part of the society is struggling to survive in their basic living and exist of inequality in income distribution. The (GINI) coefficient of Malaysia, according to the International future forecast System in year 2013 is 0.472<sup>1</sup> where GINI coefficient of zero means perfect equality while 1 implies perfect inequality. Thus, Malaysia is facing unequal distribution of income. Moreover, this inequality could be widened in future as the rich people become richer and the poor people become poorer.

Minimum wage is a basic wage or the minimum hourly wage an employer is required to pay an employee. According to Borat, Kanbur & Mayet (2012); and Ministry of Business Innovation and Employment (2013), the first country to introduced minimum wage

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<sup>1</sup> This is the latest available statistics is in [http://www.ifs.du.edu/ifs/frm\\_CountryProfile.aspx?Country=MY](http://www.ifs.du.edu/ifs/frm_CountryProfile.aspx?Country=MY)

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